

Preliminary Monthly Report

July 2004

Injection and total liquid production remain relatively constant for the pilot wells (see attached graphs). Oil production in July averaged 2.6 BOPD. Production for the first 16 days of August has averaged 2.4BOPD. Gas production predominantly CO₂ continued during the month primarily from CO₂ #12 but appears to be stabilized. Gas production is not excessive and we currently expect WAG operations may not be required until September or October.

Gas production is primarily from CO₂ #12. CO₂ content of the produced gas in CO₂ #12 is over 90% CO₂. Gas production was reported for the first time for CO₂ #13 on a single well test. CO₂ #13 may need to be huff & puff treated with CO₂ to establish an oil relative permeability between CO₂ #13 and the reservoir restriction between it and CO₂ I-1. Alternately the well could be re-stimulated with acid or a fracture treatment. In the short term the well can be produced off to minimize the back pressure on the formation and maximize the production from the well.

Increased injection in CO₂ #10 appears to be reducing the losses to the north. CO₂ #10 still has a cumulative under injection of 430 barrels.

Vent losses have been reduced substantially with the aid of the small capacity pump.

Pressures in the observation wells Carter #2 and #5 remain relatively constant. CO₂ #16 pressure is demonstrating an increased trend. Offset injection well information since the start of the pilot needs to be collected so a determination can be made regarding the apparent pressure increase:

- Offset injection
- Over injection CO₂ I-1
- Faulty reading
- Out of zone communication

Since the well is showing pressure on the casing the next time gas samples are collected we might want to also test the gas in CO₂ 16.

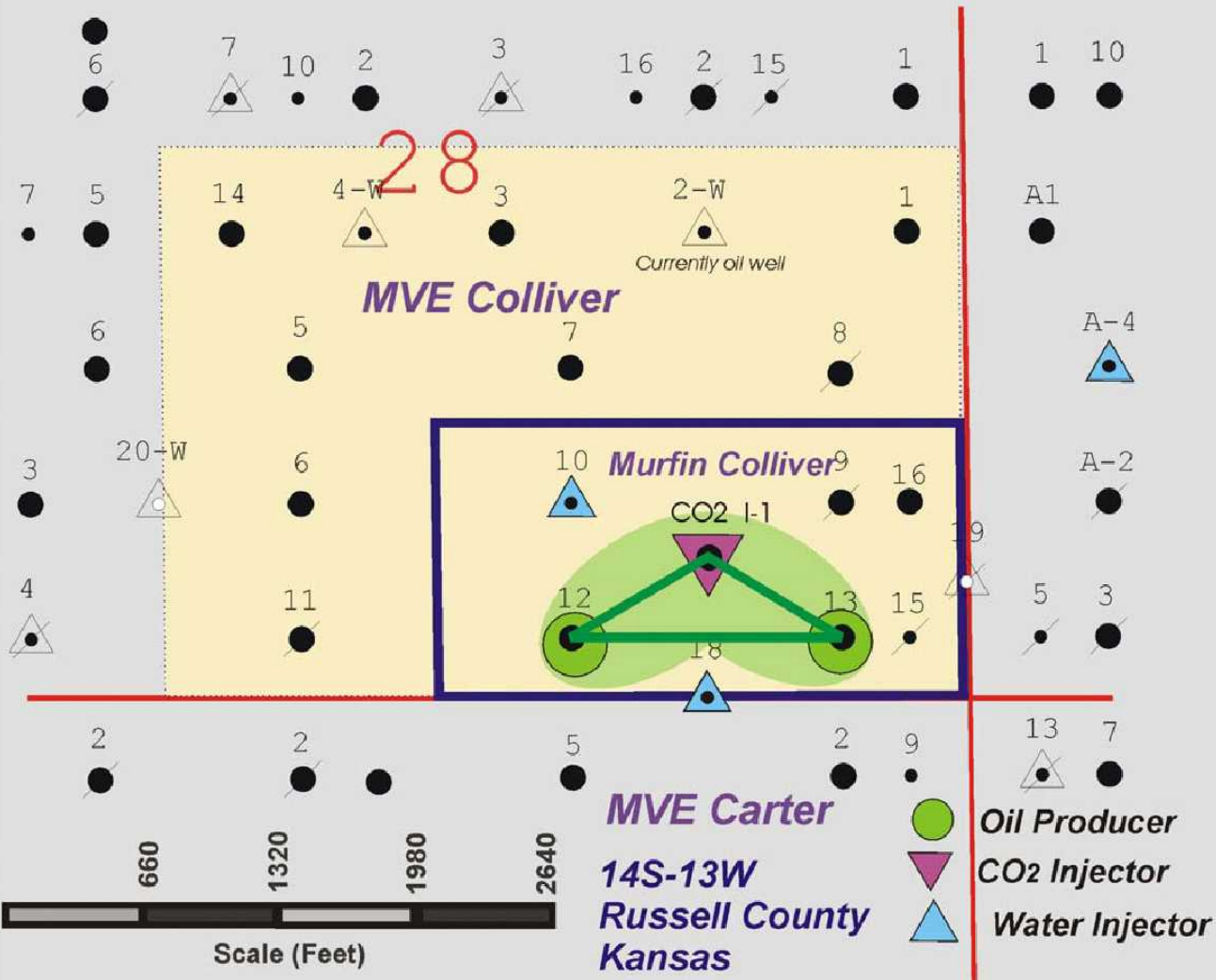
Overall CO₂ injection into the processed pattern area has been greater than the production from it. Of the 58,370mscf of CO₂ that has been injected 23,200mcf has been excessive or 40%. Over injection of CO₂ was reduced in May and is now more in line with the volume required for the anticipated losses to the north. Current cumulative CO₂ losses to the north are 40% however this is being reduced by curtailing over injection of CO₂. This is down from the over 50% losses to the north experienced in the first few months on the pilot.

First results of the 4-D seismic indicate an area with changed attributes from the base survey and the March 2004 survey that is consistent with the volumes previously reported on the monthly reports. Some of the change could be from HC gas and not CO₂ or ground conditions however.

Attached:

- Pilot Map
- Monthly report
- Injection graph
- Production graph
- CO₂ Utilization
- LKC Pilot monitoring pressure graph
- LKC Pilot monitoring wells pressures graph

CO2 Pilot 10-Acre Pattern

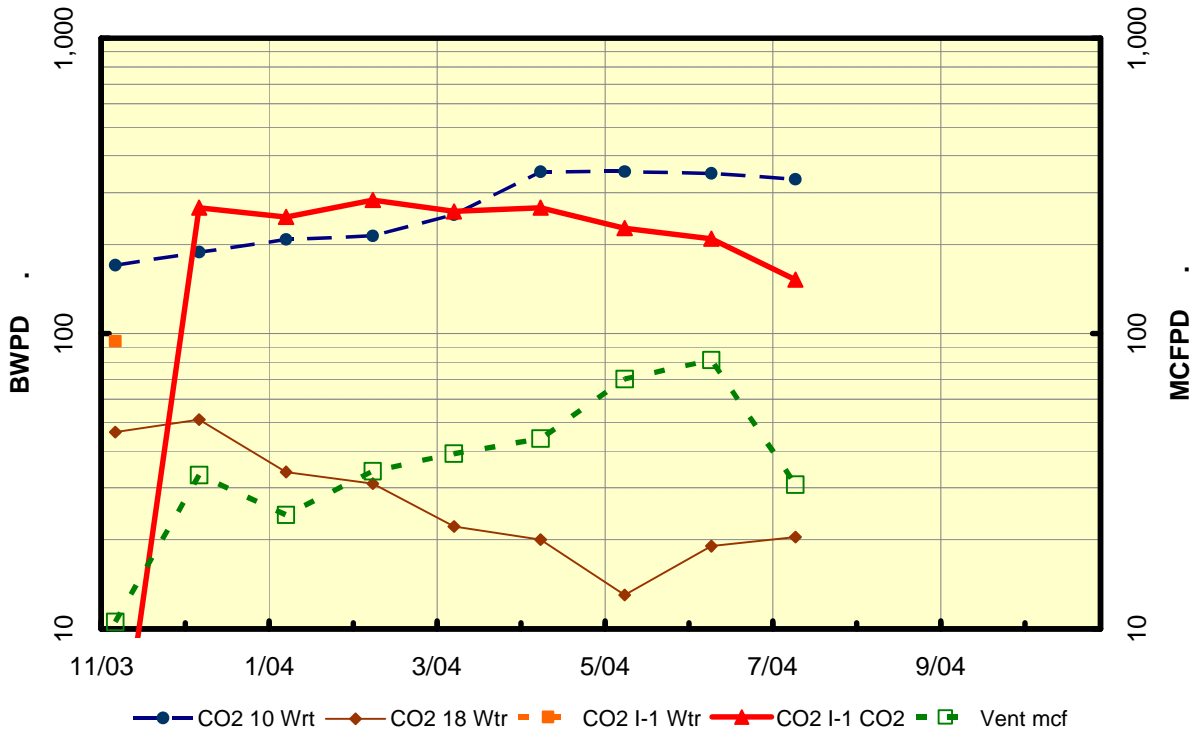


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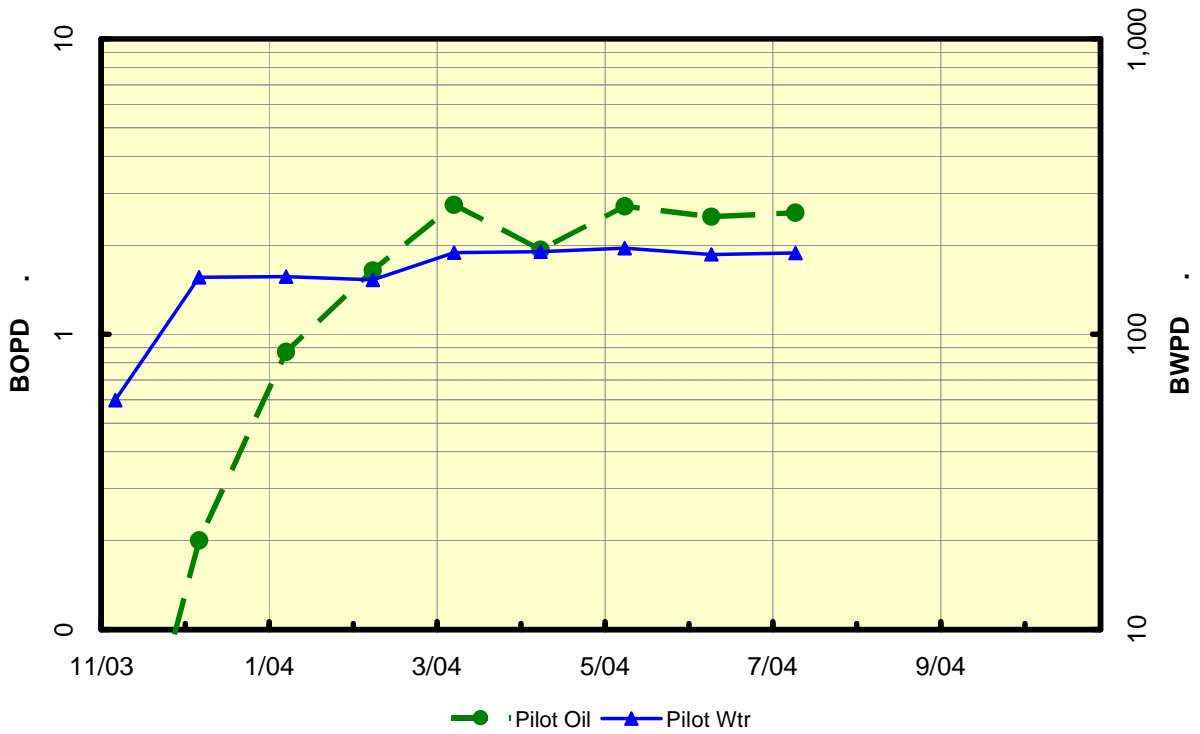
Daily Values

Field			Nov 2003	Dec 2003	Jan 2004	Feb 2004	March 2004	April 2004	May 2004	June 2004	July 2004	Aug 2004	Sept 2004	Oct 2004
Production														
Oil	bbl		0.0	0.2	0.9	1.6	2.7	1.9	2.7	2.5	2.6	-	-	-
Wtr	bbl		59.8	155.8	156.7	152.8	188.8	190.4	196.1	186.3	188.7	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	1.1	7.0	10.1	-	-	-
Injection														
Wtr	bbl		311.1	239.8	242.4	245.0	274.7	373.3	366.6	368.1	353.5	-	-	-
CO2	mcf		2.7	266.7	248.4	283.5	259.4	267.0	227.5	209.3	152.2	-	-	-
	Mlb		0.3	30.9	29.0	33.1	30.3	31.2	26.5	24.4	17.8	-	-	-
CO2 Delivered														
	mcf		24.9	303.4	268.1	320.5	300.1	321.9	290.6	300.3	184.7	-	-	-
	Mlb		2.9	35.2	31.1	37.2	34.8	37.3	33.7	34.8	21.4	-	-	-
Tank Vent														
	mcf		10.6	33.2	24.3	34.2	39.2	44.0	70.2	81.2	30.8	-	-	-
	Mlb		1.2	3.8	2.8	4.0	4.5	5.1	8.1	9.4	3.6	-	-	-
	% of Injection		387.4%	12.4%	9.8%	12.1%	15.1%	16.5%	30.9%	38.8%	20.2%	-	-	-
Wells														
Production														
CO2 12 Oil	bbl		0.0	0.2	0.3	0.7	2.5	1.2	2.3	1.6	2.5	-	-	-
Wtr	bbl		50.9	100.1	97.7	93.5	133.6	134.6	145.1	136.0	138.5	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	1.1	7.0	9.5	-	-	-
CO2 13 Oil														
Wtr	bbl		0.0	0.0	0.5	1.0	0.3	0.7	0.4	0.9	0.1	-	-	-
Wtr	bbl		8.9	55.3	59.0	59.4	55.2	55.8	51.0	50.3	50.2	-	-	-
Gas	mcf		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	-	-	-
Injection														
CO2 10 Wtr	bbl		170.4	188.6	208.4	214.0	252.5	353.3	353.6	349.0	333.1	-	-	-
CO2 18 Wtr	bbl		46.4	51.1	34.0	31.0	22.2	20.0	13.0	19.0	20.4	-	-	-
CO2 I-1 Wtr	bbl		94.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	-

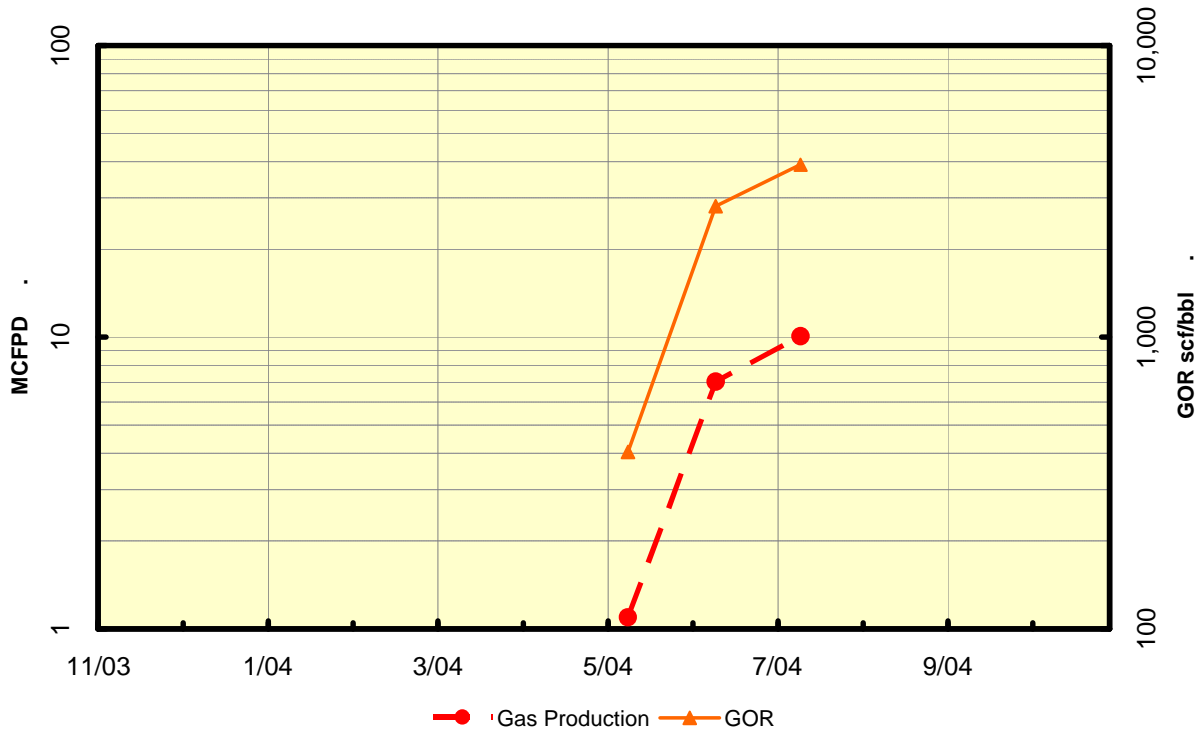
LKC Pilot Injection



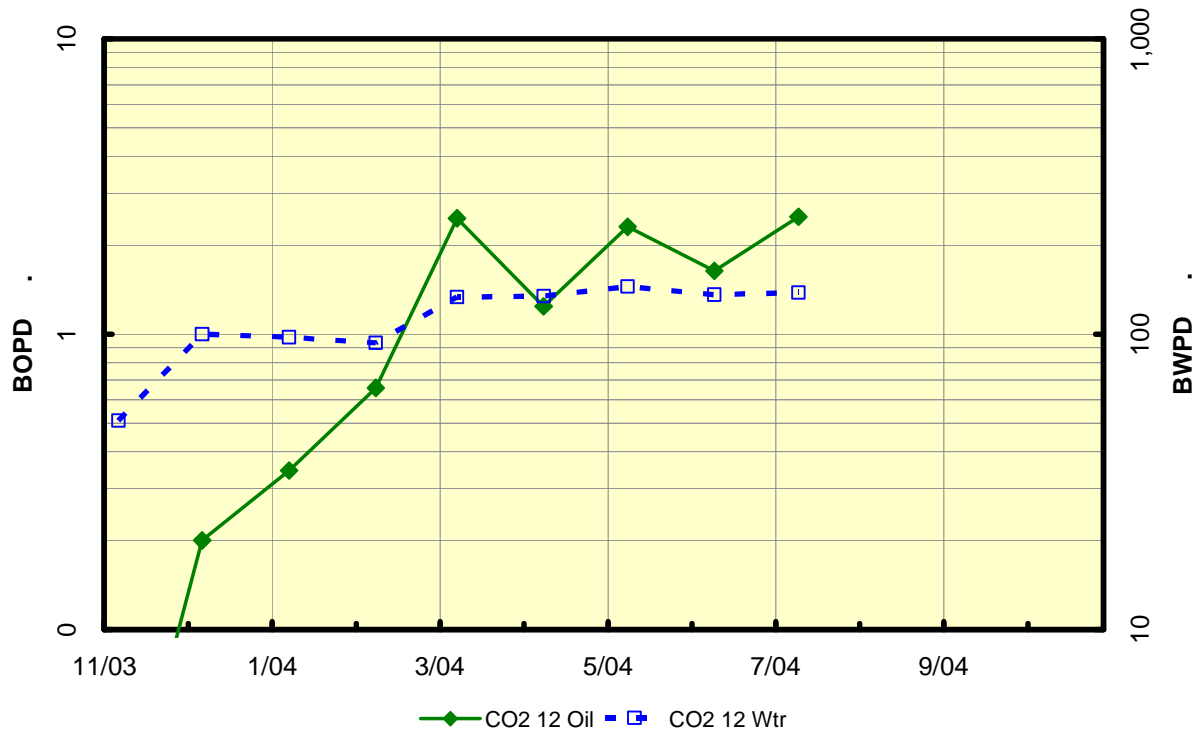
LKC Pilot Production



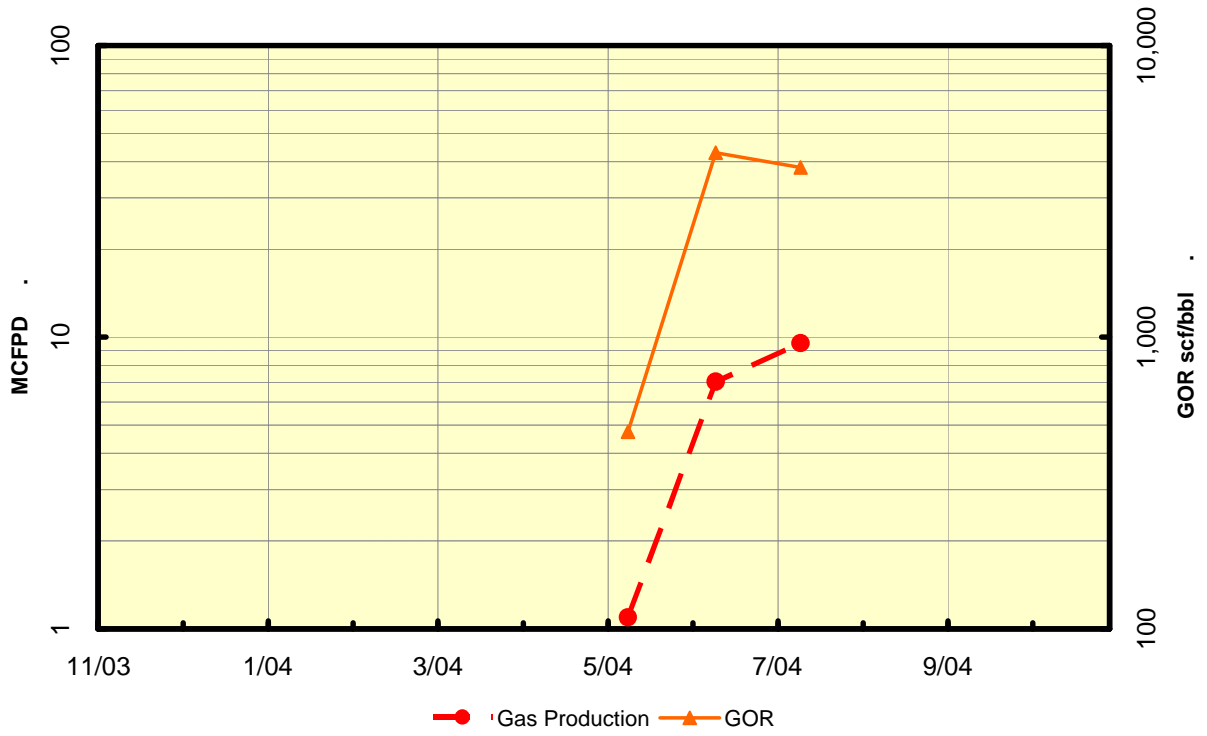
LKC Pilot Production



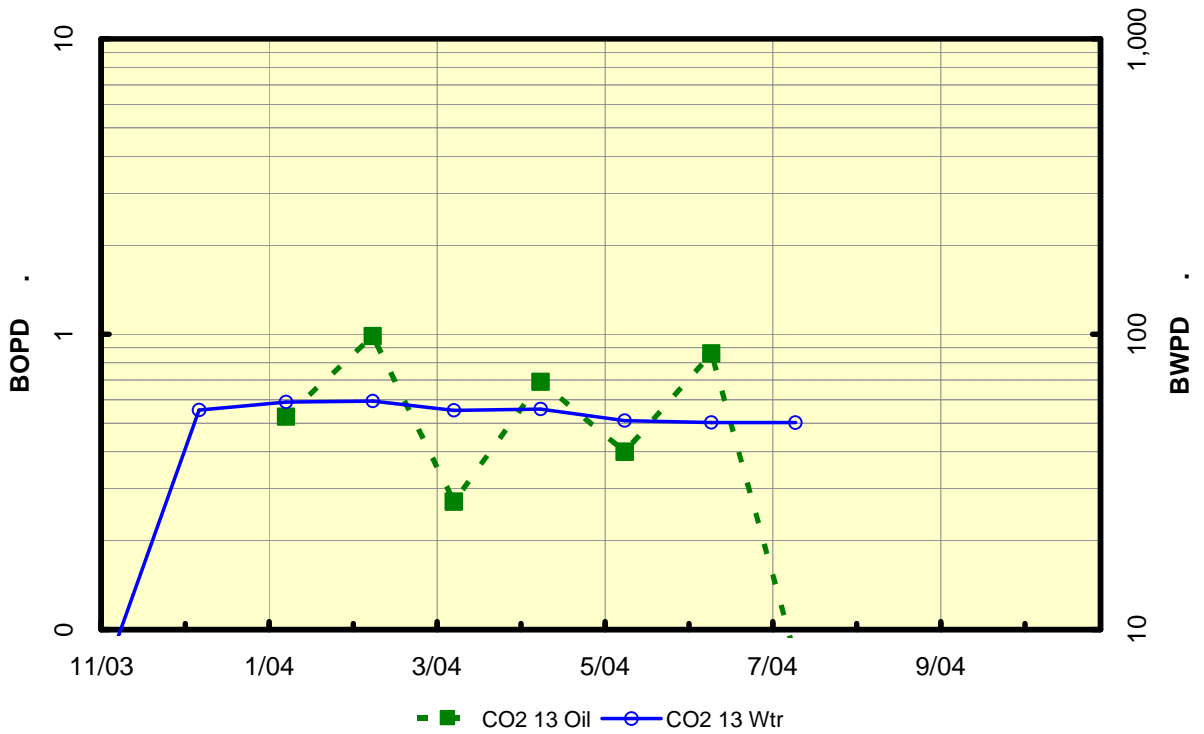
LKC CO2 12 Production



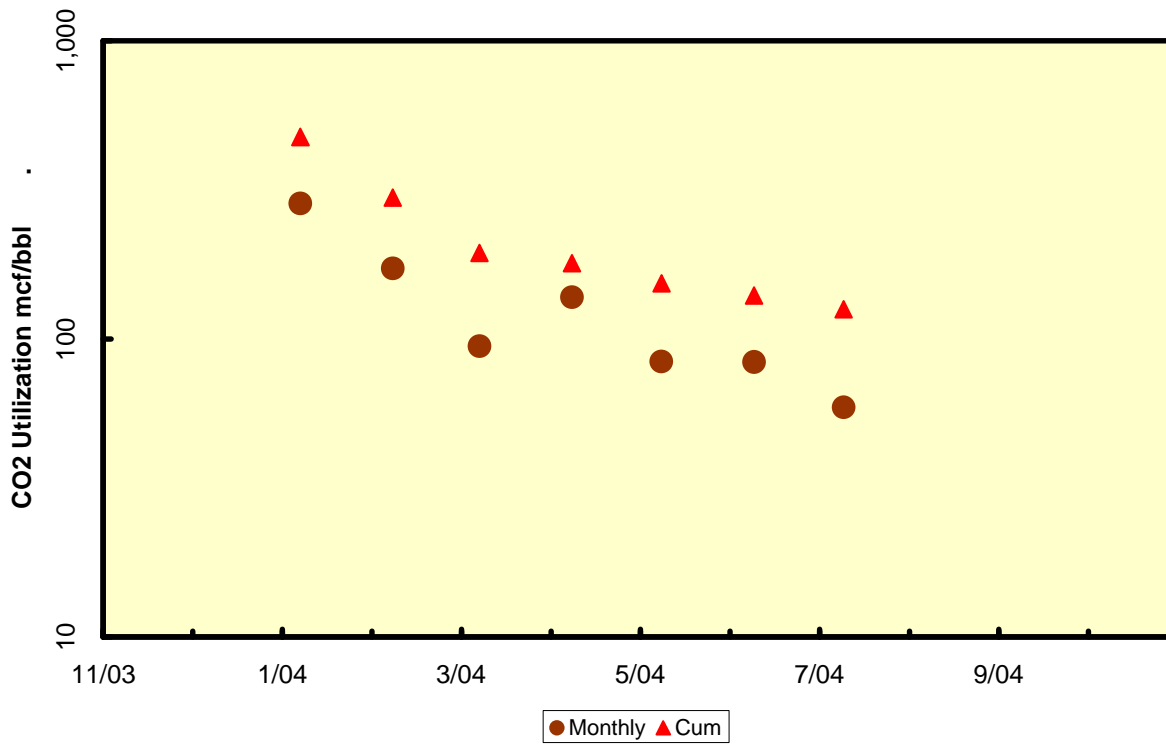
LKC CO2 12 Gas Production



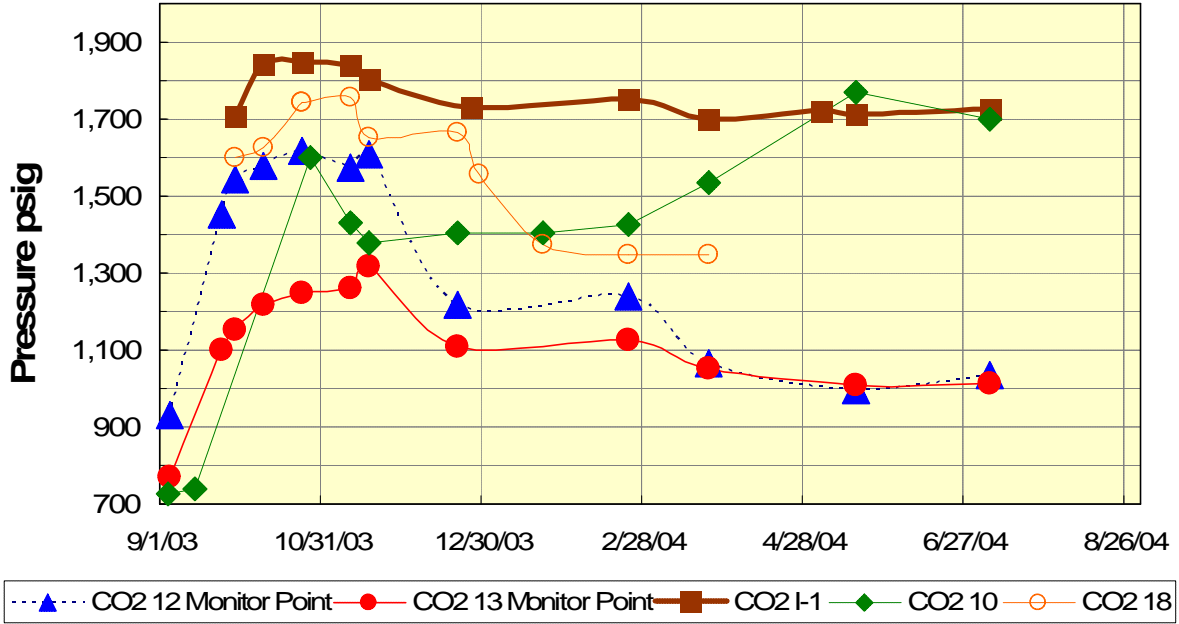
LKC CO2 13 Production



LKC Pilot



LKC Pilot Monitor Pressures



LKC Pilot Monitor Wells

